

SURREY BANCORP
Form 10-Q
August 10, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

for the quarterly period ended June 30, 2012

.. **TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT**

For the transition period from to

COMMISSION FILE NO. 000-50313

SURREY BANCORP

(Exact name of registrant as specified in its charter)

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North Carolina
(State or other jurisdiction of
incorporation or organization)

59-3772016
(IRS Employer
Identification No.)

145 North Renfro Street, Mount Airy, NC 27030
(Address of principal executive offices)

(336) 783-3900
(Registrant's telephone number)

Check whether the registrant: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by checkmark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company

Indicate by checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practical date:

On August 10, 2012 there were 3,542,984 common shares issued and outstanding.

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	June 2012	December 2011
Assets		
Cash and due from banks	\$ 8,180,734	\$ 2,269,116
Interest-bearing deposits with banks	18,512,558	30,757,636
Federal funds sold	709,203	709,836
Investment securities available for sale	2,995,711	2,506,426
Restricted equity securities	766,904	809,754
Loans, net of allowance for loan losses of \$3,802,204 at June 30, 2012 and \$3,880,581 at December 31, 2011	175,177,109	175,446,206
Property and equipment, net	4,578,128	4,569,301
Foreclosed assets	251,046	560,018
Accrued income	958,873	962,614
Goodwill	120,000	120,000
Bank owned life insurance	5,213,610	3,389,447
Other assets	2,700,815	2,627,410
Total assets	\$ 220,164,691	\$ 224,727,764
Liabilities and Stockholders Equity		
Liabilities		
Deposits:		
Noninterest-bearing	\$ 37,195,963	\$ 30,750,902
Interest-bearing	141,444,417	153,187,474
Total deposits	178,640,380	183,938,376
Long-term debt	7,750,000	8,100,000
Dividends payable	45,605	576,741
Accrued interest payable	191,559	185,362
Other liabilities	2,333,064	1,700,723
Total liabilities	188,960,608	194,501,202
Commitments and contingencies		
Stockholders equity		
Preferred stock, 1,000,000 shares authorized, 189,356 shares of Series A, issued and outstanding with no par value, 4.5% convertible non-cumulative, perpetual, with a liquidation value of \$14 per share;	2,620,325	2,620,325
181,154 shares of Series D, issued and outstanding with no par value 5.0% convertible non-cumulative, perpetual; with a liquidation value of \$7.08 per share;	1,248,482	1,248,482
Common stock, 10,000,000 shares authorized at no par value; 3,542,984 and 3,536,724 shares issued and outstanding at June 30, 2012 and December 31, 2011, respectively	12,051,203	12,009,588
Retained earnings	15,345,895	14,405,467
Accumulated other comprehensive loss	(61,822)	(57,300)
Total stockholders equity	31,204,083	30,226,562
Total liabilities and stockholders equity	\$ 220,164,691	\$ 224,727,764

See Notes to Consolidated Financial Statements

Table of Contents**Consolidated Statements of Income***Six months ended June 30, 2012 and 2011 (Unaudited)*

	2012	2011
Interest income		
Loans and fees on loans	\$ 5,435,450	\$ 5,376,596
Federal funds sold	779	795
Investment securities, taxable	26,418	26,358
Deposits with banks	23,806	8,004
Total interest income	5,486,453	5,411,753
Interest expense		
Deposits	719,681	933,423
Fed funds purchased	150	
Long-term debt	151,854	182,900
Total interest expense	871,685	1,116,323
Net interest income	4,614,768	4,295,430
Provision for loan losses	738,988	(120,928)
Net interest income after provision for loan losses	3,875,780	4,416,358
Noninterest income		
Service charges on deposit accounts	461,730	508,885
Fees and yield spread premiums on loans delivered to correspondents	70,234	53,618
Other service charges and fees	276,704	247,027
Other operating income	423,420	359,979
Total noninterest income	1,232,088	1,169,509
Noninterest expense		
Salaries and employee benefits	1,788,521	1,761,997
Occupancy expense	225,213	197,180
Equipment expense	117,612	120,497
Data processing	182,419	185,588
Foreclosed assets, net	32,294	140,332
Postage, printing and supplies	97,233	102,754
Professional fees	206,673	190,460
FDIC insurance premiums	84,505	139,577
Other expense	742,382	694,440
Total noninterest expense	3,476,852	3,532,825
Net income before income taxes	1,631,016	2,053,042
Income tax expense	599,378	789,674
Net income	1,031,638	1,263,368
Preferred stock dividends	(91,210)	(90,957)

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Net income available to common stockholders	\$ 940,428	\$ 1,172,411
<i>Basic earnings per common share</i>	\$ 0.27	\$ 0.33
<i>Diluted earnings per common share</i>	\$ 0.25	\$ 0.30
<i>Basic weighted average common shares outstanding</i>	3,538,822	3,530,932
<i>Diluted weighted average common shares outstanding</i>	4,172,757	4,164,867
<i>See Notes to Consolidated Financial Statements</i>		

Table of Contents**Consolidated Statements of Income***Three months ended June 30, 2012 and 2011 (Unaudited)*

	2012	2011
<i>Interest income</i>		
Loans and fees on loans	\$ 2,690,474	\$ 2,652,444
Federal funds sold	387	458
Investment securities, taxable	12,215	13,944
Deposits with banks	13,359	2,673
Total interest income	2,716,435	2,669,519
<i>Interest expense</i>		
Deposits	346,669	459,353
Fed funds purchased	150	
Long-term debt	75,448	91,364
Total interest expense	422,267	550,717
Net interest income	2,294,168	2,118,802
<i>Provision for loan losses</i>	671,770	(279,825)
Net interest income after provision for loan losses	1,622,398	2,398,627
<i>Noninterest income</i>		
Service charges on deposit accounts	225,788	260,994
Fees and yield spread premiums on loans delivered to correspondents	29,413	26,442
Other service charges and fees	144,798	128,068
Other operating income	172,252	160,527
Total noninterest income	572,251	576,031
<i>Noninterest expense</i>		
Salaries and employee benefits	861,138	883,412
Occupancy expense	107,051	